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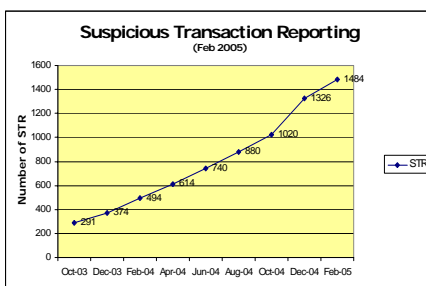
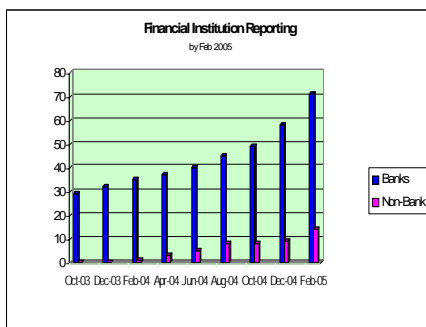
**INDONESIA**

## Indonesia Removed from the Money Laundering Black List

### CHALLENGES FOR THE NEXT YEAR

- Intensify financial audit for small banks and non-bank financial institutions;
- Improve audit processes & systems;
- Prosecute and convict money laundering offenses;
- Further build PPATK capacity and improve linkages with other agencies;
- Ratify and implement the Mutual Legal Assistance law; and,
- Enhance PPATK and other agencies' authority to combat money laundering and terrorist finance.

### AML Compliance of Indonesia's Financial Institutions



### OVERVIEW

Indonesia has made great strides fighting money laundering and combating the financing of terrorism, and USAID has been a close partner in these efforts. The Government's success was recognized on February 11, 2005 when the Financial Action Task Force (FATF) announced at the Paris plenary session that Indonesia was removed from the Non-Cooperative Countries and Territories (NCCT) list, a list that it had been on since 2001.

This achievement, coupled with ongoing efforts, will greatly improve international perceptions of Indonesia's commitment to fighting financial crime and terrorist finance, and this will fuel confidence that leads to investment, growth, jobs and prosperity.

### PROGRAMS

USAID is providing \$3.2 million through FCPP (Financial Crime Prevention Project) implemented by Booz Allen Hamilton over two years to assist Indonesia to create a modern legal and institutional framework to detect and prosecute financial crimes, and to facilitate cooperation among the interested ministries and agencies responsible for financial crime prevention. USAID Grantee, FSVC (Financial Sector Services Corps), is also playing a role working with Indonesia Central Bank and commercial banks on Know-Your-Customer principles; and in training Indonesia's Attorney General on anti-money laundering (AML) prosecutions. USAID's efforts are assisting the Government to fight financial crime and corruption, which will promote financial sector safety and soundness and lead to increased investment, growth and job creation.

### USAID ACHIEVEMENTS & PROGRAM HIGHLIGHTS

- February 2005: FATF removes Indonesia from the NCCT list;
- January 2005: FATF reviews Indonesia's AML/CFT regime (supported by FCPP during preparation and all FATF meetings);
- November 2004: Indonesia signs a Mutual Legal Assistance treaty with 7 ASEAN countries;
- November 2004: The Indonesian Mutual Legal Assistance law is forwarded to the President's office for signature (supported by USAID-funded ELIPS and FCPP)
- October 2004: Indonesia presents its AML/CFT progress report to FATF in Brunei resulting in the January onsite review;
- August 2004: FCPP is launched: a two-year \$3.2 million, USAID-funded project designed to build capacity at PPATK (Indonesia Financial Intelligence Unit), and strengthen linkages between PPATK and other Indonesian agencies;

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## CONVICTIONS

PPATK has referred 257 AML/CFT cases, of which 47 have been investigated, and 35 prosecuted leading to 18 convictions. Though not charged under AML statutes, the convictions came under Corruption Statutes which carry a life sentence.

## CONCLUSIONS

Technical assistance and training provided by USAID-funded projects to the AML/CFT regime in Indonesia, in coordination with other donor support, has resulted in substantial and accelerated progress by Indonesia in the area of financial crime enforcement, anti-money laundering, combating the financing of terrorism, and anti-corruption efforts.

The tangible result of these efforts was the removal of Indonesia from the FATF NCCT list on February 11, 2005.

It is anticipated that ongoing close cooperation between the Governments of the United States and Indonesia will result in continued improvement in the AML/CFT regime, and will be reflected by enhanced investment, trade, and job creation in Indonesia.

## CONTACT INFORMATION

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- 2003-2004: FSVC worked extensively with the Central Bank to improve its capacity to ensure compliance with Know-Your-Customer "KYC" principles and AML regulations;
- Early 2004: FSVC trained the Attorney General's Office on prosecuting Anti-Money Laundering cases;
- October 2003: PPATK is established, and with a \$250,000 USAID award, install computer systems to track Cash Transaction Reports and Suspicious Transaction Reports nationwide;
- October 2003: Indonesia avoids countermeasures from FATF; Money Laundering Law amended with passage of Law 25/2003 (with support from USAID-funded ELIPS: Economic Law, Institutional and Professional Strengthening project);
- April 2002: Anti-Money Laundering Law 15/2002 passed;
- February 2002: Indonesia ratifies the International Convention on the Suppression of Financing Terrorism;
- June 2001: Bank Indonesia issues regulations relating to Suspicious Transaction Reports;
- June 2001: Indonesia is included on the NCCT list by FATF.

## FUTURE GOALS

The goal of USAID support is to provide high-caliber technical assistance, and in coordination with other donors, to strengthen the AML/CFT regime in Indonesia. USAID support includes:

- Work closely with PPATK in finalizing a strategic plan and business plan (the "Blueprint") to guide the agency, and the country, in dealing with future AML/CFT challenges;
- Provide technical assistance to PPATK in revising the Anti-Money Laundering Law, including expanded investigative authority for PPATK and other GOI agencies;
- Develop and deliver premier AML/CFT participatory training sessions (customized to Indonesia) involving financial institutions, financial regulators, PPATK personnel, investigators, prosecutors, and judges (i.e., all components of the AML/CFT institutional process starting with the identification of suspicious transactions and resulting in the successful prosecution of money laundering offenses);
- Provide targeted technical assistance to other agencies involved in the AML/CFT regime in Indonesia, including the Corruption Eradication Commission (KPK); Ministry of Finance Office of Inspector General; Supreme Audit Commission (BPK); Ministry of Law and Human Rights; the Attorney General's Office; and other agencies.
- Assist on anti-corruption efforts to improve Indonesia's control of corruption and rule of law, and hence qualify as an MCA threshold country in 2005.